

Retail Industry Adds 98,000 Nonmetro Jobs Annually During 1988-93

The diverse, fast-growing retail industry is today characterized by centralization and concentration. The share of sales by chains of 10 or more stores has risen to 46 percent, and an average of about 25 percent of retail sales leak from rural counties to those with larger towns.

Nonmetro employment in retail trade grew steadily at 2-3 percent annually during 1988-93, adding an average of 98,000 jobs per year. For 1994 and 1995, a metro-nonmetro breakdown of employment is not yet available, but national retail employment grew 3 percent in 1994 and 2 percent in 1995, suggesting continued growth in both metro and nonmetro counties. Retail trade is the second-largest source of nonmetro employment, accounting for 4.3 million jobs and 17 percent of nonmetro employment in 1993, second only to the service industry's 21.5 percent share. Nonmetro retail employment grew at a slightly faster rate than metro retail employment every year from 1988 to 1993. Many nonmetro retailers have benefited from U.S. consumers' increasing demands for convenience, ease-of-access, and price competitiveness from retailers, which led to a shift of retail trade away from central city business districts and large suburban regional malls to more accessible exurban areas and strip malls, discount warehouse stores, and outlet centers.

The retail sector includes a diverse mix of retail business types. Eating and drinking places are the most numerous type of retail establishment and the largest employers, with an average of 38 establishments and 453 employees per nonmetro county. Most eating and drinking establishments are small businesses, averaging 12 employees and sales of \$327,000 per nonmetro establishment in 1992, compared with the average of \$944,000 per establishment for all nonmetro retail establishments. Nationally and undoubtedly in nonmetro areas many employees of eating and drinking establishments are part time. Nationally, they average 25 hours per week, and have low wages, averaging \$5.54 per hour in 1995. Food stores, auto dealers, and general merchandise stores generate the most sales. These three sectors together accounted for 56 percent of total nonmetro retail sales in 1992. Food stores generated an average of \$1,430 per county resident in 1992, followed by gasoline stations-convenience stores at \$1,250 per person, and general merchandise stores at \$870 per person. Nationally, automotive dealers and furniture and home furnishings stores had the fastest rates of employment growth from 1992 to 1995, in excess of 15 percent. Other retailers with fast employment growth include building materials and garden supply stores (12.2 percent) and eating and drinking establishments (9.0 percent). Low interest rates apparently spurred purchases of durable goods and materials for home improvement projects, leading to growth for auto dealers, home furnishings stores, and lumber yards, while growth of sales at retail outlets selling non-durables was weak or nonexistent, as apparel and accessory stores lost employment and drug and proprietary and general merchandise store jobs grew only slightly. The continuing trend toward eating out contributed to growth in employment at eating and drinking places. The national growth rate for retail employment of 6.8 percent from 1992 to 1995 was slower than overall growth for private sector employment (8.2 percent) over that period. If the trends of the early 1990's continued over this period, nonmetro retail employment may have been about 1 percentage point higher than the national rate.

Retail Sector Employs Low-Skill Workers, Provides Labor Market Flexibility

Retail jobs are often disparaged for being largely part time, low-wage, "hamburger flipper" jobs, often lacking benefits. Data on hourly wages and weekly hours seem to bear this out. U.S. averages for 1995 show that retail workers averaged about 29 hours per week on the job, considerably less than a 40-hour week. Average hourly retail pay was \$7.63, which was \$3.75 less than the average for all private workers (\$11.38 per hour). Among individual retail industries, new and used car dealers had the highest hourly earnings (\$13.03), while eating and drinking places had the lowest (\$5.54 per hour). Low wages for retail jobs reflect low skill requirements and relatively low levels of service, or value-added, involved in selling merchandise, food, and drink to consumers. The part-time and low-wage nature of retail jobs reflects the need for flexibility in the retail workforce, which

includes many students, retirees, mothers with young children, and multiple job-holders. These workers change jobs frequently, are often marginally attached to the labor force, are frequently not the primary earner in their households, and need flexible hours. Retail jobs often provide an entrée to the labor market for workers with little experience, training, or education, whom other employers might be reluctant to hire. Thus, retail businesses are an important source of jobs in rural areas for unskilled or inexperienced workers, and retail employment has replaced farm work as the initial labor market experience for most rural youth.

Profile of the average nonmetro county's retail sector, 1992

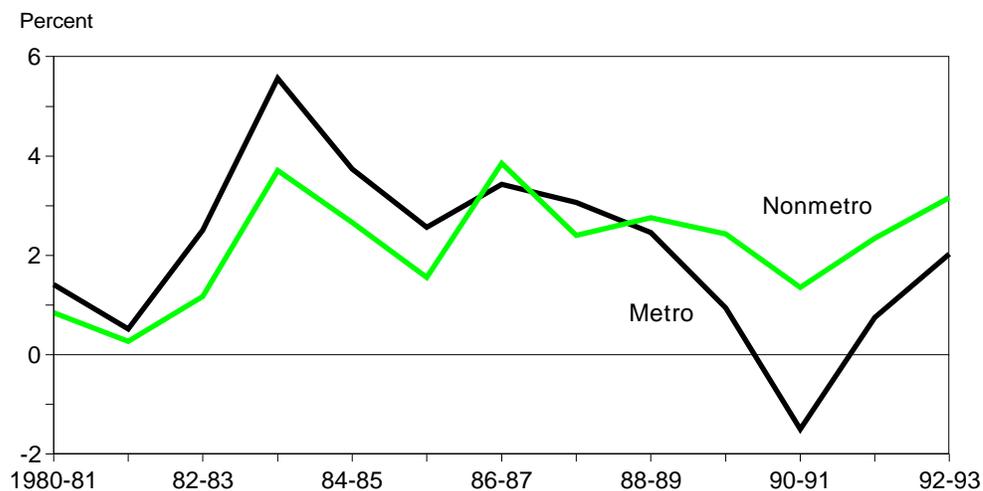
Eating and drinking places are the most numerous type of retail establishment, but food stores and auto dealers get the largest share of retail dollars

Retail industry	SIC code	Number		Sales per county resident ¹
		Establishments	Employees	Dollars
Building materials and garden supply	52	9	63	410
General merchandise	53	5	141	870
Food stores	54	20	271	1,430
Gasoline stations/convenience	554	13	107	1,250
Automotive dealers	55 (ex.554)	12	71	580
Apparel and accessory stores	56	11	63	230
Furniture and home furnishings	57	9	44	200
Eating and drinking places	58	38	453	560
Drug and proprietary stores	591	5	46	260
Miscellaneous retail stores	59 (ex. 591)	26	115	490
All retail	52-59	147	1,372	6,280

¹Retail sales divided by county population. Column does not add to total due to rounding. Source: Calculated by ERS using data from the 1992 Census of Retail Trade.

Annual growth in retail employment

Retail employment growth was faster in nonmetro counties during the early 1990's



Source: Calculated by ERS using data from the Bureau of Economic Analysis

Chains Increase Their Share of Retail Sales

Considerable controversy has been generated by the success of Wal-Mart, the first big chain to cultivate the rural retail market. Other chains have followed Wal-Mart into the long-ignored rural market, leading to concerns about the health of many smalltown business districts, which have traditionally relied on small, independently owned retail businesses. Data on sales by chain and nonchain stores are not available for nonmetro areas, but nationally the share of retail sales by chains with 10 or more establishments rose from 42 to 46 percent between 1987 and 1992, according to the Census of Retail Trade. Chains of 10 or more stores account for nearly all general merchandise store sales, 71 percent of apparel store sales, and 64 percent of sales by food stores and drug stores. However, chains are least dominant in auto dealerships (3 percent of sales), eating and drinking places (35 percent), furniture stores (36 percent), and building materials and supplies stores (39 percent). The growth of chains has contributed to the trend toward concentration of retail trade in larger, centrally located towns. Smaller, less accessible communities are generally not attractive locations for chain stores. These communities are often served by small, independent establishments, but this category of retail stores is shrinking. Single-unit retailers, including the "mom-and-pop" stores so long a part of the rural landscape, made up over 90 percent of retail establishments in 1992, but accounted for only 40 percent of retail sales in 1992, down from 43.5 percent in 1987.

Estimated Nonmetro Retail Sales Leakages Average 25 Percent

Concentration of retail trade in large centralized towns and cities makes it a challenge for many small communities and rural counties to maintain a viable retail sector. Community leaders want to ensure that the retail spending of their community's residents stays inside the community, stimulating additional economic activity and preserving a sense of vitality in the community. Analysis of Census of Retail Trade data for all U.S. counties in 1987 and 1992 indicates that, on average, residents of nonmetro counties without a major "trade center" town make about 25 percent of their retail purchases outside their county of residence. The rate of leakage varies considerably, however. About 18 percent of counties without a trade center town lost more than half of their retail sales to other counties, while another 20 percent of non-trade center counties had no sales leakage. Sales leakage is highest in the sparsely populated Plains region extending from North Dakota to Texas (averaging over 35 percent), and lowest in the Northeast (averaging 8 percent). Between 1987 and 1992, average sales leakage declined slightly in most parts of the United States, but increased in the Plains region, where retail trade is becoming more concentrated in larger towns.

Long-Distance Shopping Presents Opportunities and Risks for Rural Communities

Retailing may be in for big changes in coming years, as improved telecommunications change the way Americans shop. As customers increasingly shop at home using a telephone, on-line computer service, or interactive TV, retailers will begin to serve national, rather than local, markets. An early indicator of this trend is the rapid growth in mail order retailing. Between 1987 and 1992, catalog mail order was the fastest growing single retail industry, adding 550 establishments and 27,000 employees, and posting real sales growth of 46 percent (adjusted for inflation with the CPI). These developments present opportunities as well as risks for rural retail trade. Retailers in remote locations with few local customers may be able to expand their potential markets. A number of tele-marketing operations have also chosen to locate in rural areas to take advantage of low labor costs. The down side is that long-distance shopping may further erode the local retail sector in rural areas, since it will be even easier for rural residents to spend their retail dollars in other communities. In any case, rural community and business leaders need to ensure that they have the necessary infrastructure and business to compete in the changing retail marketplace. [Fred Gale, 202-219-0594, fgale@econ.ag.gov]

Average earnings, weekly hours, and employment growth, U.S. retail industries

Retail jobs tend to have low pay and part-time hours

Retail Industry	SIC code	Hourly earnings ¹	Weekly hours ¹	Employment growth 1992-95 ²
		Dollars	Hours	Percent
Building materials and garden supply	52	8.97	35.7	12.2
General merchandise	53	7.51	29.2	1.1
Food stores	54	8.08	29.7	4.9
Gasoline stations/convenience	554	6.91	32.5	3.7
Automotive dealers	55 (ex.554)	10.30	35.5	13.9
Apparel and accessory stores	56	7.45	25.8	-3.9
Furniture and home furnishings	57	10.11	32.7	17.2
Eating and drinking places	58	5.54	25.0	9.0
Drug and proprietary stores	591	8.79	28.5	.7
Miscellaneous retail stores	59 (ex. 591)	8.42	29.7	4.5
All retail	52-59	7.41	28.7	6.8
Total private industry	NA	11.38	34.5	8.2

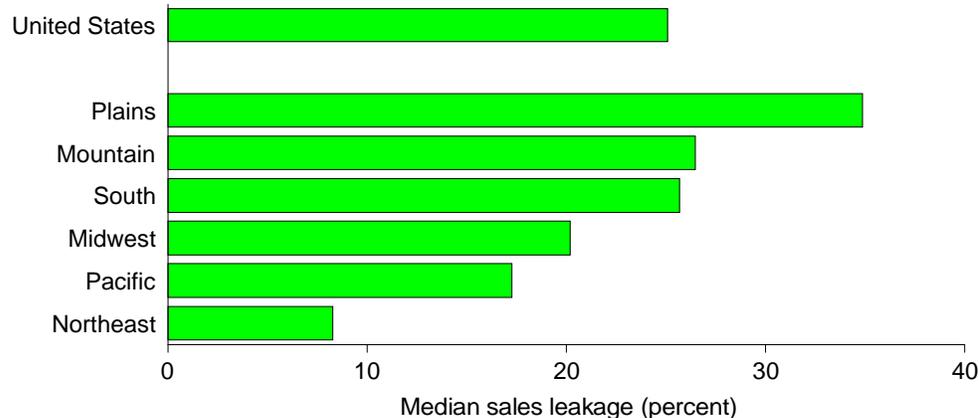
¹Average for Jan.-Oct. 1995.

²Jan.-Oct. 1995 average compared with same period in 1992.

Source: Calculated by ERS using data from the Bureau of Labor Statistics.

Median retail sales leakage rate among nonmetro counties without a trade center town, 1992

Counties in the Great Plains region have the highest rate of sales leakage, while Northeastern counties have the lowest



Note: Regions include: Plains--ND, SD, NE, KS, OK, TX, Mountain--MT, ID, WY, UT, NV, CO, NM, AZ, South--VA, WV, KY, TN, NC, SC, GA, AL, LA, FL, MS, AR, Midwest--OH, IN, IL, IA, MO, MI, WI, MN, Pacific--WA, OR, CA, AK, HI, Northeast--ME, NH, VT, MA, RI, CT, NY, NJ, PA, DE, MD, DC.

Source: Estimated by ERS, based on data from the Bureau of the Census and U.S. Department of Commerce.